Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

LIMITED OFFICIAL USE

PAGE 01 ANKARA 08814 01 OF 03 051858Z
ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SP-02 EB-08 INR-07 NSCE-00
DODE-00 TRSE-00 SSO-00 INRE-00 /045 W
----------058666 052325Z /73 S
O R 051535Z DEC 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 9709
INFO AMCONSUL ADANA POUCH
AMEMBASSY ATHENS
AMEMBASSY BRUSSELS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY NICOSIA
AMEMBASSY PARIS
CINCUSAFE
USCINCEUR
USDOCOLANDSOUTHEAST IZMIR POUCH
USDOCOSOUTH NAPLES
USMISSION GENEVA
USMISSION USNATO

LIMITED OFFICIAL USE SECTION 1 OF 3 ANKARA 8814

USEEC

USOECD

E.O. 11652: N/A
TAGS: EFIN, IMF, TU
SUBJ: TURKISH FY 1978 BUDGET

REF: A)ANKARA 8739(011491Z DEC 77),
B) ANKARA 8691 (EXDIS-NOTAL)
C) ANKARA 8318 (EXDIS-NOTAL)

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ANKARA 08814 01 OF 03 051858Z

SUMMARY. CONSOLIDATED BUDGET SUBMITTED TO PARLIAMENT
NOVEMBER 30 BY PRIME MINISTER DEMIREL'S COALITION GOVERN-
MENT WOULD LIMIT EXPENDITURES IN FY 1978 TO TL 260 BILLION
($13.5 BILLION). STRONG INTERNAL PERSUASION APPEARS TO
HAVE BEEN WORKED ON DEPUTY PRIME MINISTER ERBAKAN (NATIONAL
SALVATION PARTY-NSP) AND SOME CONCESSIONS MADE TO HIM
TO GET HIM TO AGREE TO THE CHECK IN SPENDING REQUIRED TO

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

RESTORE ECONOMIC BLANCE AND RECOMMENDED TO THE GOVERNMENT
BY THE INTERNATIONAL MONETARY FUND (IMF). GIVEN A PROBABLE
30-35 PERCENT INFLATION RATE IN 1977, THIS FIGURE REPRE-
SENTS A REAL DECLINE FROM LEVEL OF TL 225 BILLION ($14.1
BILLION) APPROVED BY PARLIAMENT LAST FEBRUARY FOR FY 1977
AND IT IS ALMOST CERTAIN TO TURN OUT TO BE LOWER THAN
REALIZAED EXPENDITURES THIS FISCAL YEAR. IN PRESS CONFER-
ENCE DECEMBER 1, FINANCE MINISTER BILGEHAN (JUSTICE PARTY-
JP) SAID THAT NEXT YEAR'S BUDGET AIMED AT REDUCING
INFLATIONARY IMBALANCE BETWEEN SUPPLY AND DEMAND, MAINLY
BY HOLDING DOWN PUBLIC EXPENDITURES. SUM ALLOCATED FOR
PUBLIC INVESTMENT EXPENDITURES, WE NOTE, IS BARELY
INCREASED IN TERMS OF CURRENT LIRA ABOVE LEVEL PROPOSED
THIS TIME LAST YEAR FOR FY 1977 BUDGET (AND IS LOWER IN
REAL TERMS). IT IS LIKELY THAT MR. ERBAKAN WILL TALK ABOUT
MORE FUNDS FOR HIS FAVORITE DEVELOPMENT PROJECTS DURING
PARLIAMENTARY DISCUSSIONS OVER THE NEXT THREE MONTHS. BUT
SORE NEED FOR TURKEY TO REACH AGREEMENT WITH IMF ON STANDBY
CREDIT ARRANGEMENT MAY MAKE MR. ERBAKAN'S WORDS LOUDER THAN
HIS ACTIONS. NSP-SYMPATHIZING HEAD OF ECONOMIC PLANNING
DEPARTMENT IS STATE PLANNING ORGANIZATION
TOLD ECON COUNSELOR THAT IN HIS VIEW
ERBAKAN UNDERSTOOD REALITIES OF TURKEY'S ECONOMIC SITUATION
AND WAS UNLIKELY TO DEMAND FURTHER BUDGETARY FUNDS FOR HIS
INDUSTRIALIZATION PROGRAMS FOR NEXT YEAR. BUDGET AS
PRESENTED, THEREFORE, APPEARS TO PROVIDE BASIS FOR TALKS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

TO RESUME BETWEEN TURKEY AND IMF IN DECEMBER. END
SUMMARY.

1. IN PRESS CONFERENCE DECEMBER 1, CIHAT BILGEHAN,
MINISTER OF FIANCE, GAVE SOME DETAILS AND HIS INTER-
PRETATION OF FY 1978 PROPOSED BUDGET. (FULL INFORMATION
ABOUT BUDGET IS NOT YET AVAILABLE, PENDING PUBLICATION.)

2. BASIC FIGURES FOR CONSOLIDATED BUDGET SUBMITTED
TO PARLIAMENT NOVEMBER 30 WERE:
EXPENDITURES: TL BILLIONS
GENERAL BUDGET(1) 256,207
ANNEXED BUDGET(GROSS) 45,117
GRANTS-IN-AID FROM TREASURY -41,324
ANNEXED BUDGET(NET) (2) 3,794
CONSOLIDATED BUDGET 260,000
(1) PLUS (2)
REVENUES:
TAX REVENUE 222,370
NORMAL REVENUE OTHER
THAN TAXES 15,528
SPECIAL REVENUE AND FUNDS 2,808

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

TOTAL GENERAL BUDGET 240,706
REVENUE(1)
NET RECEIPTS FROM 3,794
ANNEXED BUDGETS(2)
CONSOLIDATED BUDGET 244,500
(1) PLUS (2)
DEFICIET, TO BE COVERED 15,500
THROUGH DOMESTIC
BORROWING

TOTAL 260,000

NOTE BY OC/T: DISSEMINATION COORDINATED WITH S/S-O, MR. HART.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 ANKARA 08814 01 OF 03 051858Z

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 ANKARA 08814 02 OF 03 051859Z
ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SP-02 EB-08 INR-07 NSCE-00
DODE-00 TRSE-00 SSO-00 INRE-00 /045 W
----------058670 052326Z /73 S
O R 051535Z DEC 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 9710
INFO AMCONSUL ADANA POUCH
AMEMBASSY ATHENS
AMEMBASSY BRUSSELS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY NICOSIA
AMEMBASSY PARIS
CINCUSAFE
USCINCEUR
USDOCOLANDSOUTHEAST IZMIR POUCH
USDOCOSOUTH NAPLES
USMISSION GENEVA
USMISSION USNATO

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

LIMITED OFFICIAL USE SECTION 2 OF 3 ANKARA 8814

USEEC

USOECD

3. PROPOSED EXPENDITURES COMPARE TO TL 225.8 BILLION ($14.1 BILLION AT PREVAILING RATE OF EXCHANGE) APPROVED BY PARLIAMENT LAST FEBRUARY FOR FY 1977. ACTUALLY REALIZED EXPENDITURES FOR FY 1977 ARE LIKED TO EXCEED TL 260. GENERAL BREAKDOWN OF EXPENDITURES PROPOSED FOR FY 1978 COMPARED TO THOSE PROPOSED FOR FY 1977 FOLLOWS:

FY 1978 FY 1977
(TL BILLIONS)

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ANKARA 08814 02 OF 03 051859Z

CURRENT SERVICES 112.012 94.6
INVESTMENT 65.221 63.8
EXPENDITURES
CAPITAL FORMULATION 82.767 61.6
AND TRANSFER ALLOTMENTS

4. INCREASED TAX REVENUES WILL PROVIDE TL 224.4 BILLION, OR 86 PERCENT, OF EXPENDITURES IN CONSOLIDATED BUDGET, COMPARED TO 77 PERCENT IN GOVERNMENT'S PROPOSED FY 1977 BUDGET. GOVERNMENT INTENDS THAT TAXES ON INCOME WILL ACCOUNT FOR 52 PERCENT OF TOTAL TAX REVENUES IN FY 1978, COMPARRED TO 46 PERCENT PROPOSED FOR FY 1977 BUDGET.

5. BILGEHAN SAID BUDGET ADDRESSES CERTAIN ECONOMIC PROBLEMS FACING THE COUNTRY. ITS PRINCIPAL OBJECTIVE IS TO HELP RESTORE ECONOMIC STABILITY. CHARACTERIZING FLIGHT AGAINST INFLATION AS OF GREATEST IMPORTANCE, BILGEHAN SAID GOVERNMENT WAS MAKING SPECIAL EFFORT THROUGH BUDGET TO REDUCE INFLATION RATE TO 10 PERCENT NEXT YEAR. HE ACKNOWLEDGED THAT IMBALANCE BETWEEN SUPPLY AND DEMAND HAD BEEN CAUSED NOT ONLY BY INCREASED PRICES OF IMPORTED PETROLEUM AND INDUSTRIAL PRODCUTS BUT ALSO BY DOMESTIC WAGE INCREASES, HIGH AGRICULTURAL PRICE SUPPORTS AND CONTINUOUS INCREASES IN OTHER BUDGET EXPENDITURES. HE STATED THAT MAIN MEANS OF TREATING PROBLEM WAS TO HOLD DOWN CURRENT PUBLIC EXPENDITURES IN ORDER TO HOLD DOWN DEMAND.

6. BILGEHAN GAVE FOLLOWING PARTIAL BREAKDOWN OF PROPOSED EXPENDITURES AS REPORTED BY MILLIYET. (THESE FIGURES MAY BE SUBJECT TO CORRECTION WHEN OFFICIAL DATA BECOME AVAILABLE.)

PROPOSED FY 1978 APPROVED FY 1977
(TL BILLIONS

LIMITED OFFICIAL USE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

MINISTRY OF NATIONAL DEFENSE (JP) 52.073 42.5
MINISTRY OF EDUCATION(JP) 25.655 25.7
MINISTRY OF INDUSTRY (NSP) 15.592 14.8
MINISTRY OF HEALTH (NATIONAL
ACTION PARTY-NAP) 7.894 6.5
NATIONAL SECURITY (NSP)(POLICE) 6.170 4.9
MINISTRY OF AGRICULTURE (NSP) 4.946 4.5
MINISTRY OF PUBLIC WORKS (JP) 4.471 3.9
MINISTRY OF ENERGY (JP) 4.002 2.3
MINISTRY OF INTERIOR (NSP) 2.105 1.1

7. FY 1978 BUDGET WAS PROPOSED TO COUNCIL OF MISTERS
AT TL 250 BILLION BUT PRIME MINISTER DEMIREL'S STRATEGY
TO OBTAIN CONCURRENCE OF ERBAKAN INCLUDED TL 10 BILLION
NEGOTIATING MARGIN, EMBASSY RECENTLY LEARNED FROM FINANCE
MINISTER BILGEHAN. PRESS REPORTED THAT TL 10
BILLION INCREASE WAS DISTRIBUTED LARGELY TO NSP MINISTRIES.

8. COMMENT. IN EMBASSY' VIEW, AGREEMENT BY COUNCIL OF
MINISTERS ON BUDGET OF TL 260 BILLION IS ENCOURAGING SIGN
THAT PRIME MINISTER DEMIREL'S COALITION GOVERNMENT IS
CONFRONTING NEED TO CURTAIL PUBLIC EXPENDITURES. WE
SEE THIS DEVELOPMENT AS PROVIDING BASIS FOR RESUMPTION OF
DISCUSSION BETWEEN TURKEY AND IMF.

NOTE BY OC/T: DISSEMINATION COORDINATED WITH S/S-O, MR. HART.

LIMITED OFFICIAL USE

NNN

ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SP-02 EB-08 INR-07 NSCE-00
DODE-00 TRSE-00 SSO-00 INRE-00 /045 W
----------058671 052327Z /73 S
O R 051535Z DEC 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 9711
INFO AMCONSUL ADANA POUCH
AMEMBASSY ATHENS
AMEMBASSY BRUSSELS

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY NICOSIA
AMEMBASSY PARIS
CINCUSAFE
USCINCEUR
USDOCOLANDSOUTHEAST IZMIR POUCH
USDOCOSOUTH NAPLES
USMISSION GENEVA
USMISSION USNATO

LIMITED OFFICIAL USE SECTION 3 OF 3 ANKARA 8814

USEEC

USOECD

9. ALLOCATIONS WITHIN THE BUDGET AND EVEN ITS AGGREGATE LEVEL WILL BE SUBJECT TO SOME CHANGE IN THE PARLIAMENT OVER NEXT THREE MONTHS. BUDGET EXPERIENCE LAST YEAR SUGGESTS WORST POSSIBLE CASE. THEN, NSP DEPUTIES, SUPPORTING MR. ERBAKAN'S DEMANDS, FORCED THE ADDITION OF TL 18 BILLION TO THE TL 202 BILLION ORIGINALLY PROPOSED TO PARLIAMENT BY THE GOVERNMENT. OST OF THIS MONEY WAS EARMARKED FOR USE OF NSP-CONTROLLED MINISTRY OF
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ANKARA 08814 03 OF 03 051859Z

INDUSTRY, WHICH RECEIVED AN APPROPRIATION OF TL 14,756 MILLION IN FY 1977 COMPARED TO TL 904 MILLION IN FY 1976.

10. ECON CONUSELOR REVIEWED THIS HISTORY DECEMBER 5 WITH TALIP ALP, NEW HEAD OF STATE PLANNING ORGANIZATION'S ECONOMIC PLANNING DEPARTMENT. MR. ALP IS SAID TO BE CLOSE TO NSP.(REFA) ALP STATED THAT IN HIS VIEW MR. ERBAKAN WILL NOT MAKE FURTHER DEMANDS FOR FUNDS WHILE THE BUDGET IS UNDER CONSIDERATION IN THE PARLIAMENT. ALP SAID THAT FY 1978 HAS TO BE A YEAR OF RECOVERY. THE TL 260-BILLION BUDGET RECEIVED THE UNANIMOUS APPROVAL OF THE THREE COALITION PARTNERS, HE SAID; THEY UNDERSTAND THE REALITIEIS OF TURKEY'S ECONOMIC SITUATION. WHILE THERE ARE PRESSURE GROUPS WITHIN ALL THE MINISTRIES SEEKING HIGHER APPROPRIATIONS FOR THEIR ACTIVITIES--AND THEIR EXERTIONS ARE SOMETIMES DIFFICULT FOR THE PARLAMENT TO WITHSTAND--ALP SAID THAT AS FAR AS HE KNEW THER WOULD BE NO SUCH PRESSURES PUT UPON THE PARLIAMENT FOR FURTHER FUNDS BY THE NSP. ALP ADDED THAT OF COURSE THE LEVEL OF EXPENDITURES IN FY 1978 IS DISAPPOINTING TO MR. ERBAKAN, BUT WITH ECONOMIC RECOVERY IN 1978 THERE IS HOPE FOR A MORE AMBITIOUS PROGRAM IN FY 1979.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

11. EMBASSY BELIEVES TURKISH BUDGET DOCUMENT PROVIDES IMPORTANT DISPLAY OF GOVERNMENT'S NEW, IF BELATED, WILLINGNESS TO FACE ITS ECONOMIC DIFFICULTIES.
FY 1978 BUDGET SEEMS TO US TO MEET SOME OF MAIN GOURNDS FOR IMF'S DISSATISFACTION WITH TURKISH ECONOMIC POLICIES, AS REPORTED BY PRESS. EMBASSY WOULD EXPECT THAT IMF AND TURKEY WOULD NOW HAVE BASIS FOR RESUMING DISCUSSIONS DESCRIBED BY PRESS AS HAVING BEEN POSTPONED TO ALLOW TIME FOR DEVELOPMENT OF FY 1978 BUDGET AND PROGRAM.
SPIERS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ANKARA 08814 03 OF 03 051859Z

NOTE BY OC/T: DISSEMINATION COORDINATED WITH S/S-O, MR. HART.

LIMITED OFFICIAL USE

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUDGETS
Control Number: n/a
Copy: SINGLE
Sent Date: 05-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ANKARA08814
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770451-0149
Format: TEL
From: ANKARA USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771295/aaaadcpf.tel
Line Count: 351
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: efeb430c-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 ANKARA 8739
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 11-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 366728
Secure: OPEN
Status: NATIVE
Subject: TURKISH FY 1978 BUDGET
TAGS: EFIN, TU, IMF
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/efeb430c-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009